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RUEKJCS/SECDEF WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEAIIA/CIA WASHDC
RUEKDIA/DIA WASHDC
RUEPADJ/CJTF-HOA J2X CAMP LEMONIER DJ

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TAGS: [ETRD](#) [ECON](#) [PHUM](#) [ER](#)
SUBJECT: ERITREA: AGOA RESPONSE

REF: STATE 22438

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12. Post's response is keyed to headers in Reftel.

13. Market Economy/Economic Reform/Elimination of Trade Barriers:
One of the world's poorest countries, Eritrea maintains economic policies contrary to free-market principles. The government and the sole political party, The Peoples' Front for Democracy and Justice (PFDJ), operate a command economy and control all aspects of the economy. The private sector is extremely small and limited to mainly small family owned shops. In the past the government has seized businesses and provided no restitution for the owners. Trade is strictly controlled. The government severely limits foreign exchange and imports. In 2005 and 2006, the GSE issued proclamations further restricting the access to and use of foreign currency and limiting imports. In practice, imports are permitted only by businesses affiliated with the PFDJ.

14. Political Pluralism/Rule of Law/Anti-Corruption:
Initially scheduled in 1998, the government postponed elections citing the war with Ethiopia and to date have not rescheduled them. The 1997 constitution provides for democratic freedoms, however, it has not been implemented. The only political party permitted to operate in country is the Peoples' Front for Democracy and Justice (PFDJ). No independent media exists and the journalists, editors and political party members arrested in 2001 following criticism of the regime remain incarcerated with no due process. The government continues to detain two Eritrean U.S. Embassy employees, arrested in 12001. While corruption is not overt, graft exists. On paper the judiciary system is fair, however, government proclamations and police practice have undermined the strength of the judiciary, which is subject to executive influence. Individuals are often arrested and detained without due process. The government argues that until the border is demarcated in Ethiopia, national security remains a primary concern and all other issues, such as democracy and economic freedoms are secondary.

15. Poverty Reduction: Eritrea ranks 157 on the UN Human Development Index. Poverty is widespread, particularly in the rural areas, and affects much of the population. The government, even with limited resources, does strive to reduce poverty, focusing on infrastructure development and health and education. Limited resources and

capacity have constrained significant improvements and the government often makes confusing and contradictory policy choices. For example, despite food shortages, the government in 2006 stopped all food distributions for 10 months by international organizations, allowing for food to rot in warehouses. Equally puzzling was the demand by the government in July 2005, for USAID - Eritrea's largest bilateral partner - to cease all development programs in Eritrea. USAID's offices were closed in December 2005 with only a small humanitarian aid unit remaining in the Embassy. Since May 2005, when the GSE issued a proclamation requiring all non-governmental organizations (NGOs) to register in order to continue working in Eritrea, the GSE has greatly reduced the number of NGOs allowed to operate in country by refusing to register them. Many of these NGOs' programs were directly related to poverty reduction efforts. The GSE continues to limit the operations of those NGOs remaining in-country by means of travel restrictions, limitations on the number of expatriate staff allowed to work within the organizations and difficulties in obtaining fuel and supplies.

16. Labor/Child Labor: The unimplemented constitution forbids forced or compulsory labor and under Eritrean law children under the age of 14 are not permitted to work. Youth 14-18 are prohibited from working more than 7 hours per day and are not allowed to work in the transport industries and in jobs involving toxic chemicals or dangerous machines. In the rural areas, children often work on family farms. The government has ratified ILO 29, ILO 105 and ILO 138 however has not ratified ILO 182. All men between the ages of 18-40 and single women 18-27 who do not have children are conscripted into the military or national service program, with some working in civilian jobs at significantly reduced wages. There are no formal restrictions on labor unions and there are three government sponsored unions. Freedom of assembly and association is greatly restricted, thus limiting the formation of private unions.

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